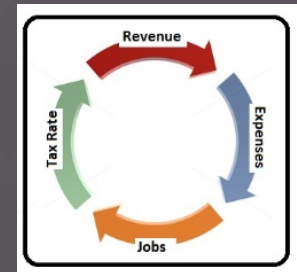


MID YEAR REVIEW 2012

An in-depth look at the budget and economic factors of significance in the 2012 budget year as of 6/30/12



7/24/2012



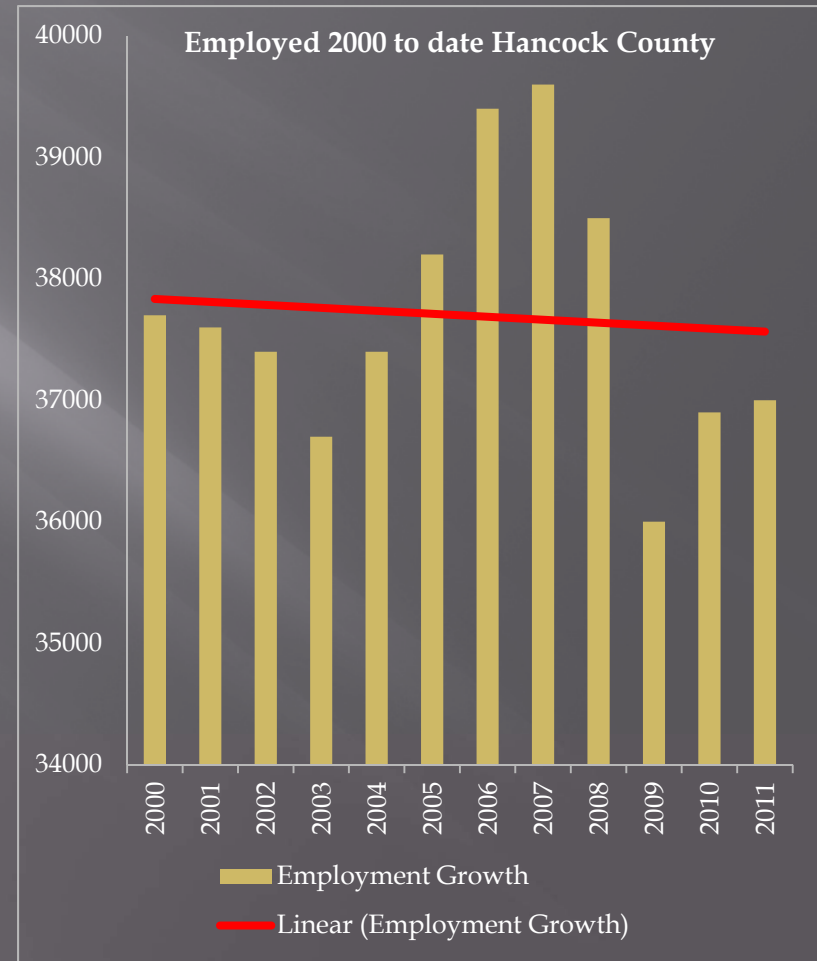
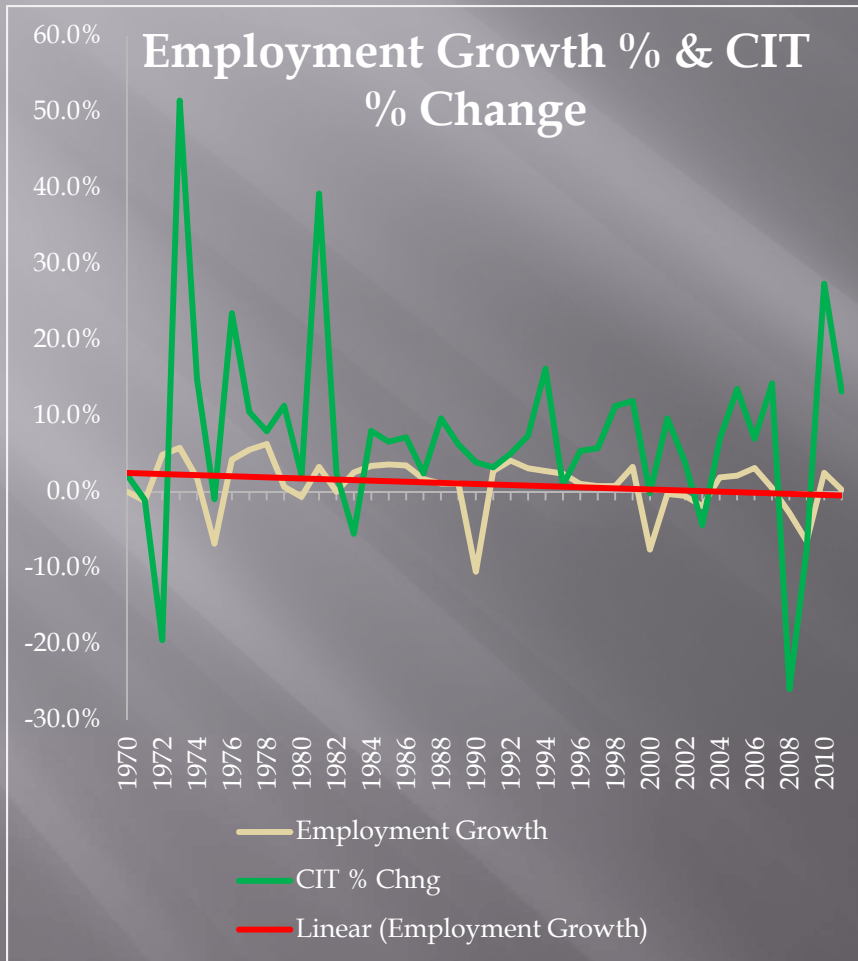
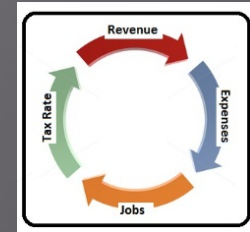


Economic Factors

- ❑ Slow/Modest Economic recovery through 2013, Fed stating recession likely if Federal tax cuts not extended into 2013
- ❑ Increased potential for State control and authority over local governments not adjusting to budget realities
- ❑ Lowest interest rates on cash balances in recent history
- ❑ Number of people employed flat - trending down for Hancock County over 10 years



Economic Factors





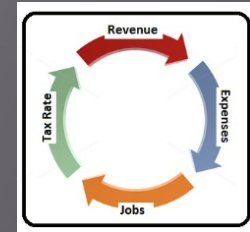
Economic Factors The Next 5 Months

- ▣ Sun setting of $\frac{1}{4}\%$ City Income Tax which generates **(\$4.2MM** '11 & '12 projection)
- ▣ Loss of Local Government Funds **(\$0.46MM)**
- ▣ Loss of Tangible Personal Property Tax
- ▣ Elimination of Estate Tax **(\$0.8MM** budget)
- ▣ Business profits and tax payments are key

The 2012 permanent budget was not balanced with the $\frac{1}{4}\%$ and a 90/10 Capital Improvement split



Observations



- ❑ Extra 1/4% assisting City through this downturn
- ❑ City has used capital funds and some reserves to subsidize operational expenses
- ❑ Return to normal Local 'Full Employment' will not make up 1/4% Income Tax sunset
- ❑ 2013-2014 Budget plan must balance: Revenue, Expenses, Capital Improvements, Flood Mitigation and subsidies in a *sustainable* manner
- ❑ City tends to avoid recommended smaller regular increases to enterprise charges and user fees, causing need for larger sporadic increases
- ❑ There is no current consensus on what the priorities for funding should be.



Capital Improvements

- ▣ Revenue projection 2012: \$2,000,000 on target
- ▣ Debt payments in 2012: \$949,600; 47.5% of the capital improvement's 2012 revenue
- ▣ Debt Policy is 33% of current year revenues
- ▣ Best Budgeting Practices GFOA recommended minimum reserve 25% of debt service plus match & contingencies; currently above the \$237,000 for debt leaving \$114,000 for match & contingencies
- ▣ 2013 Projected Impact
 - Unknown GF - Cap Impr Allocation currently 90% - 10%
 - Large carry forward from 2011 not likely to repeat
- ▣ No Administrative estimate of deferred capital maintenance cost obligations



Capital & Streets

- ❑ Widely used formula for street resurfacing: *Total Street Miles x 6.6% x Cost per Mile*; Findlay has 193.86 miles of paved street; Findlay avg. \$/per mile since 2007 is \$287,232
- ❑ Formula value: $193.86 \times 6.6\% \times \$287,232/\text{mi} = \$3,675,000$ per year in street work to keep pace with deterioration
- ❑ Per Engineering we currently have 27 miles of streets that need resurfacing at \$287,232/mi: *\$7,750,000 in deferred maintenance*
- ❑ Capital funds reduction in '10, '11, '12 for operations totaled \$6,065,000
- ❑ 2012 resurfacing projects total \$675,000; the anticipated \$600,000 ODOT grant will not be received in 2012
- ❑ A review is needed of specifications and time requirements for patch maintenance to extend life of newly cut pavement



Water Fund

- ❑ Revenues projected 2012: on budget at \$7,848,600
- ❑ Debt payments in 2012: \$1,091,000; 13.9% of revenues
- ❑ Best Budgeting Practices GFOA recommend minimum reserve 25% of debt service, plus 2-3 months operations costs, \$1,756,000
- ❑ Projected 2012 year end balance \$1,104,400; which is short \$652,000
- ❑ However, several projects will not be fully expensed in '12 at or above shortfall amount
- ❑ Rate increase need indicated (rate model)



WPC (Sewer) Fund

- ❑ Revenues projected 2012: on budget at \$8,499,600
- ❑ Debt payments in 2012: \$3,428,500; 40.3% of revenues
- ❑ Best Budgeting Practices GFOA recommend minimum reserve 25% of debt service, plus 2-3 months operations costs, \$1,985,000
- ❑ Projected 2012 year end balance \$1,646,500; which is short \$339,000
- ❑ However, several projects will not be fully expensed in '12 at or above shortfall amount.
- ❑ Have cash flow concerns due to debt payments.
- ❑ Rate increase need indicated (rate model)



2012 General Fund Revenues

- ▣ Estimated Revenues 2012 - \$25,484,000 Mid-Yr. Estimated Revenue 2012 - \$25,573,000; +0.3% of original estimate
- ▣ City income tax on projection line of original \$20,600,000 estimate currently +1.5%
- ▣ Real Estate, Hotel, Local Government, Income Tax, Estate tax currently net to +1.3%
- ▣ Expecting Estate tax windfall of \$890,000
- ▣ County awaiting word on local government funds
- ▣ Have not yet received \$200,000 Radio Contract Payment from Sprint/Nextel



2012 Other Fund Revenues

- ▣ SCM&R Streets: -0.5% adjusted for subsidy
- ▣ SCM&R Highways: -1.2%
- ▣ Court's Special revenue funds up across board others on budget
- ▣ Airport revenues: +7.4% adjusted for subsidy
- ▣ Parking: +5.5% adjusted for subsidy



2012 General Fund Expenses

- ▣ Overall General Fund expenses appear on budget
- ▣ Storm related expenses still accruing
- ▣ Legislation needed at next meeting:
 - Council \$6,000 - legals & meeting recording
 - WORC \$2,000 – overtime related
 - Zoning \$150 – overtime related
 - Cemetery \$3,000 – overtime related
 - Airport \$6,400 – real estate tax related non public use
 - Streets \$13,000 – real estate tax related non public use



2012 Other Fund Expenses

- ▣ Overall Other Fund expenses appear on budget
- ▣ Storm related expenses still accruing
- ▣ Utility expenses currently appear on budget
- ▣ SCM&R: -6.0%
- ▣ Airport: +0.8%
- ▣ Parking: +2.7%



Employee Count

	2012	2011
▣ Full Time Employees	321	324
▣ Part Time Permanent	9	12
▣ Elected Employees	16	16
▣ Seasonal (significantly more hours at higher rates)	44	25
▣ Replaced 5 General Employees YTD		
▣ Replaced 3 Fire Department Employees		
▣ Replaced 6 Police/Dispatch Employees		
▣ Did not replace 3 Full Time Positions		



Health Insurance

- ❑ Have shifted significant amount of cost to employees with deductible and co-pay changes
- ❑ Currently lack proper structure to manage day to day improvements for continuous cost containment
- ❑ Council has approved Auditor to contract and enter RFP process for Brokerage portion
- ❑ Actuarial review nearly complete, will recommend modification to pricing strategy for cost containment, some expense growth anticipated for 2013
- ❑ Employee Health Committee will remain in place, wellness program discussion needed
- ❑ Per Broker analysis, when cost weighted by participant makeup, annual cost is within \$1,360 per plan (contract), per year of the norm
- ❑ As of 6/30 usage on track with Auditor's projections



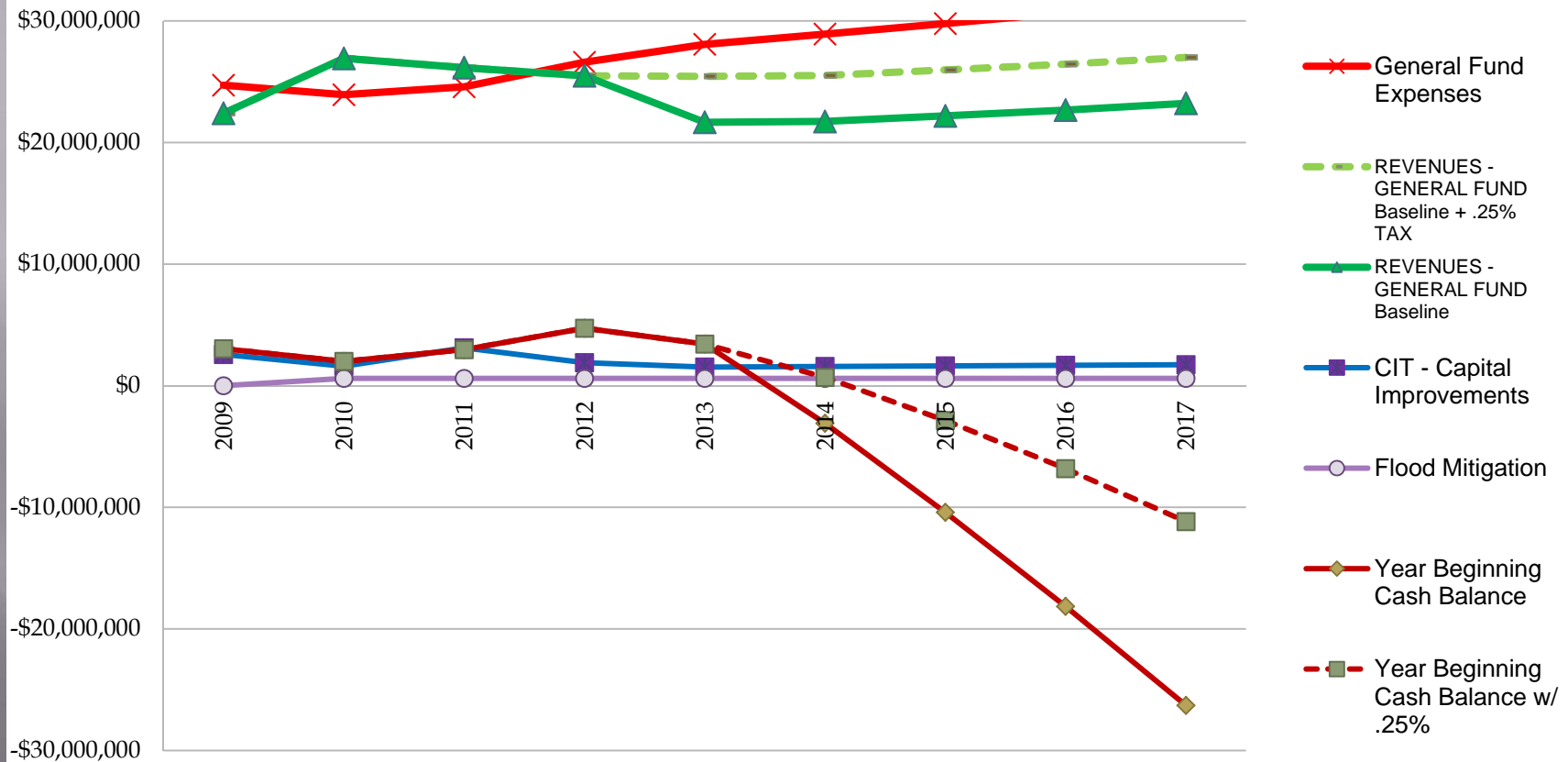
Debt

- ▣ Based on current revenue projections and city policy we have \$0/year available for debt service in GF Capital Improvements Plan
- ▣ Water Fund will likely need a bond issue for upcoming projects.
- ▣ Next potential call/re-funding mid 2013 with minimal impact to General Fund
- ▣ Findlay's bond rating (AA) is at risk until permanent budget solution is enacted



General Fund Outlook

General Fund Trendlines





Current Action Items

- ❑ State Auditor's Office has not indicated a date for completion of Performance Audit
- ❑ Auditor Staschiak recommending 2 year budget plan be prepared for 2013-2014
Temporary budget adoption is not necessary with proper management and planning
- ❑ Council and Administration need to agree on tax strategy and show budget works over multiple years



Summary

- ❑ Expenses are growing faster than revenue, it is likely the city would not be able to adopt the 2014 budget, even with 1/4% additional tax and using all reserves at current trends
- ❑ Deferred capital maintenance in excess of \$7,750,000 for streets, other areas should be identified and calculated by SSD
- ❑ Utility rate increases will be necessary to prevent negative impact on capital projects for 2013
- ❑ Equal across the board cuts will not work for many departments
- ❑ For the Mayor to cut a proposed \$2,000,000 out of the 2013 General Fund operations budget the administration needs to reduce spending \$167,000 per month in General Fund starting now